

# Resident Credit for Tax Imposed by a Canadian Province

Issued under P.A. 281 of 1967. Filing is voluntary.

For Tax Year  
**2001**

Name(s) as shown on your MI-1040	Social Security Number
Address, City, State and ZIP	Spouse's Social Security Number

## PART 1 CONVERSION OF CANADIAN WAGES AND TAXES TO UNITED STATES CURRENCY

1. Canadian income taxed by Michigan ..... 1. \_\_\_\_\_
2. Fringe benefits included in Box 14 of the T-4, not taxable in U.S.A. .... 2. \_\_\_\_\_
3. Subtract line 2 from line 1 ..... 3. \_\_\_\_\_
4. Multiply line 3 by the annualized conversion rate of 64.63% (.6463) (see inst.) ..... 4. \_\_\_\_\_
5. Total Canadian income from line 150 of your Canadian income tax return ..... 5. \_\_\_\_\_
6. Multiply line 5 by the conversion rate of 64.63% (.6463) ..... 6. \_\_\_\_\_
7. Divide line 4 by line 6 (percentage of Canadian income taxed by Michigan to total Canadian income) ..... 7. \_\_\_\_\_ %
8. Multiply the Canadian federal tax (line 420 of Canadian return) \$ \_\_\_\_\_ by the conversion rate of 64.63% (.6463) ..... 8. \_\_\_\_\_
9. Multiply line 8 by line 7 ..... 9. \_\_\_\_\_
10. Multiply the provincial tax (line 428 of Canadian return) \$ \_\_\_\_\_ by the conversion rate of 64.63% (.6463) ..... 10. \_\_\_\_\_
11. Multiply line 10 by line 7 ..... 11. \_\_\_\_\_
12. Contribution to Canadian Pension Plan from T-4, Boxes 16 and 17 ..... 12. \_\_\_\_\_
13. Multiply line 12 by the conversion rate of 64.63% (.6463) ..... 13. \_\_\_\_\_

## PART 2 COMPUTATION OF MICHIGAN TAX

14. Adjusted gross income from MI-1040, line 10 ..... 14. \_\_\_\_\_
15. Canadian income taxed by Michigan from line 4, above ..... 15. \_\_\_\_\_
16. U.S. adjustments to Canadian wages (from U.S. 1040 lines 23 -31a)..... 16. \_\_\_\_\_
17. Subtract line 16 from line 15 ..... 17. \_\_\_\_\_
18. Subtract line 17 from line 14 for Michigan source income ..... 18. \_\_\_\_\_
19. Additions from MI-1040, line 11 ..... 19. \_\_\_\_\_
20. Add lines 17, 18 and 19 ..... 20. \_\_\_\_\_
21. Subtractions from MI-1040, line 13 ..... 21. \_\_\_\_\_
22. Subtract line 21 from line 20 for income subject to tax ..... 22. \_\_\_\_\_
23. Divide line 17 by line 22 for percentage of Canadian income to total income subject to tax ..... 23. \_\_\_\_\_ %
24. Exemption allowance from MI-1040, line 15 ..... 24. \_\_\_\_\_
25. Subtract line 24 from line 22 for taxable income ..... 25. \_\_\_\_\_
26. Multiply line 25 by the Michigan tax rate of 4.2% (.042) ..... 26. \_\_\_\_\_

## PART 3 ALLOWABLE CREDIT FOR TAX PAID CANADIAN PROVINCE

27. Multiply line 26 by line 23 for Michigan tax on Canadian province income ..... 27. \_\_\_\_\_
28. Add lines 9, 11 and 13 for total tax paid in Canada ..... 28. \_\_\_\_\_
29. Adjustments to credit claimed on U.S. 1040:
  - 29a. Canadian portion of credit claimed on U.S. 1040, line 43 ..... 29a. \_\_\_\_\_
  - 29b. Canadian income taxed by Michigan from all U.S. 1116 forms ..... 29b. \_\_\_\_\_
  - 29c. Gross Canadian income from all U.S. 1116 forms ..... 29c. \_\_\_\_\_
  - 29d. Divide line 29b by line 29c and enter percentage ..... 29d. \_\_\_\_\_ %
  - 29e. Multiply line 29a by line 29d for adjusted amount claimed on U.S. 1040 ..... 29e. \_\_\_\_\_
30. Subtract line 29e from line 28 for amount available for credit on MI-1040 ..... 30. \_\_\_\_\_
31. Canadian provincial tax from line 11. Enter here and on form MI-1040, line 23a ..... 31. \_\_\_\_\_
32. Credit for tax paid Canadian province (lesser of lines 27, 30 or 31). Enter here and on form MI-1040, line 23b ..... 32. \_\_\_\_\_

**ATTACH THIS FORM TO YOUR MI-1040 RETURN**

# Instructions for Resident Credit for Tax Imposed by a Canadian Province

Before you start, you will need your U.S. *1040*, all U.S. *1116* forms, *Canadian Federal Individual Income Tax Return* and Canadian form T-4. Attach copies of all of these forms to your MI-1040 return.

## Who may claim this credit

To qualify for a credit using this form, you must:

- Be a Michigan resident or part-year Michigan resident,
- Have income that was subject to income tax by both Michigan and a Canadian province,

### AND

- File a Canadian return which shows provincial tax paid.

**NOTE:** The surtax for individuals who are not residents of Canada may not be used to compute a Michigan tax credit. If your Canadian return submitted with your MI-1040 return does not show provincial tax, you do not qualify for a Michigan tax credit.

## Credit computation

The maximum credit for tax imposed by a Canadian province is the smaller of:

- Michigan tax due on the Canadian income, OR
- The provincial tax you did not claim for credit on your U.S. *1040*.

Credit is not allowed for:

- Canadian provincial tax unused in prior years but carried over to your 2001 U.S. *1116*.
- Canadian provincial tax unused in 2001 and claimed as a carryover deduction to future years.
- Taxes paid on income subtracted on line 13 of your MI-1040 (i.e. rental or business income from another state or Canada, part-year resident wages, etc.).

If you reduce your U.S. income tax by a carryover of provincial tax, you must amend your prior year Michigan income tax return to reduce the credit computed on that year's return.

## Conversion rate

The conversion rate used on this form for the 2001 tax year is the annualized conversion rate of 64.63% (.6463).

If you used a conversion rate on your U.S. *1116* other than 64.63%, substitute the rate you used in Part 1 of this form.

## Line-by-Line Instructions

Lines not listed are explained on the form.

**Line 1:** Enter your Canadian income taxable by Michigan. This includes, but is not limited to, salaries, wages, commissions and other employment income.

Part-year residents: This line must be only the portion of income earned as a Michigan resident.

**Line 2:** If box 14 of Canadian T-4 includes fringe benefits that are also included in U.S. adjusted gross income (AGI), reduce the amount in box 14 by the amount included in AGI on your U.S. *1040*. Note: This reduction must be accompanied by verification from your employer.

**Line 12:** Enter contributions to a Canadian Pension Plan from boxes 16 and 17 on the Canadian T-4 (maximum of \$1496.40) or from line 421 of the Canadian return.

Part-year residents must prorate the amount on this line. Divide Canadian salaries and wages earned as a Michigan resident by total Canadian salaries and wages earned. Then multiply the total contribution from boxes 16 and 17 by the resulting percentage.

**Line 13:** Multiply line 12 by 64.63% (.6463) and enter the result.

**Line 15:** Enter your Canadian income from line 4.

**Note:** Interest and dividends from Canada received by a Michigan resident are taxable by Michigan as Michigan source income.

**Line 29a:** Enter the portion of the foreign tax credit attributable to Canada you claimed on your U.S. *1040*, line 43. Your credit amount must be reduced by any carryover of unused provincial tax included on any U.S. *1116*. Your credit amount must also be reduced by any unused provincial tax that is being carried forward to reduce federal taxes in future years.